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Federal Reserve Bank of Boston

A Deep Sea Trawler Typical of the New England Fleet (Courtesy of *Maine Coast Fisherman*, Portland, Maine)

THE NEW ENGLAND FISHING INDUSTRY:

America's Oldest Industry Faces Crisis

By Donald J. White[1]

New England's rambling fishing industry covers the entire coastline from Canada to New York State, but most of its activities are concentrated in Massachusetts and Maine. In 1948, the region's ports handled about 848 million pounds of fish and sea scallops worth $48.5 million to fishermen and vessel owners. That product represented more than 20 per cent of the volume and value of the total United States and Alaskan catch.

The area is the leading supplier of fresh and frozen packaged fishery products in the nation. In 1948, it accounted for 80 per cent of the country's output of 193.5 million pounds. New England's four nationally known seafood ports of Boston, Gloucester, New Bedford, and Portland turned out nearly all the region's packaged-fish output. They landed about two-thirds of the weight and five-sixths of the value of all fish brought into New England ports.

Unfortunately, the pre-eminent position enjoyed by New England's fishing centers is far from secure. Four main problems threaten their continued prosperity. First, the scarcity of the key species of fish in New England and North Atlantic waters has increased production costs. Second, internal conflict, especially between the Fishermen's Union and the fish dealers, has hampered the smooth operation of the industry. Third, marketing difficulties have limited the sales income of the industry. Fourth, imports, particularly from Canada, jeopardize the sales of New England's packaged fish in the United States market.

The value of fish landed at the main New England ports has reached unprecedented levels in the postwar period, but costs have also soared to record heights. Unless the fishing ports act soon and boldly to surmount their cost and marketing problems, their future may be bleak. What changes are needed to improve their competitive position? What are the prospects for the adoption of a forward-looking program? This article, after reviewing briefly the physical and economic characteristics of modern New England fishing operations, will suggest answers to these questions.

The outlook for New England's leading fishing ports is not promising unless the major interests in the industry — dealers, vessel owners, fishermen, and shoreworkers — work jointly to solve the problems which confront them. The threatened depletion of New England's fishing grounds requires immediate attention. Increasing foreign competition for American fresh- and frozen-fish markets accentuates the need for improved marketing practices and more vigorous market development by the New England fishing industry.

The available evidence indicates that New England fishing interests have come to grips slowly with the difficulties which threaten their future existence. The principal groups in the industry have not begun to settle their internal differences and cooperate in overcoming their common problems. Only a sharp reversal of policy will enable the New England industry to maintain its position as the leading supplier of fresh and frozen packaged fish in the United States. The modest inauguration of a market-development program by fish dealers in Gloucester, and to a lesser extent in Boston, is the most hopeful recent development.

The Fishing Grounds, Species, and Methods

The New England fishing industry — America's oldest — is adjacent to more than 260,000 square miles of the world's finest fishing territory. New England's coastline parallels the southern end of a continental shelf which extends for 1000 miles along the North Atlantic

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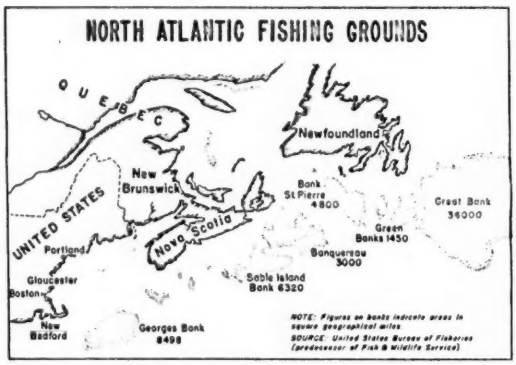


coast in the area from Newfoundland to Long Island.

About 80 species of edible fish inhabit these waters. Eight have made up the bulk of the New England catch. Most important are haddock, redfish, flounder, cod, whiting, pollock, and hake. They are the principal groundfish, or bottom-swimming species, available on the fishing banks in all seasons. As a group, they are the most outstanding marine resource of New England and the third most valuable marine resource of the United States. They live in food-rich, cool water on the continental shelf at depths of 100 to 150 fathoms. They are swept from the floor of the sea with huge conical nets dragged over the fishing banks by large steel trawlers, operating principally from Boston, and smaller wooden draggers, sailing mainly from Gloucester, New Bedford, and Portland.

The eighth significant species is mackerel. It is a surface-swimming, migratory fish, characterized by great fluctuations in abundance. The mackerel catch commonly varies by several million pounds from year to year. From late spring to early fall seiners purse in the schools of mackerel with gigantic "purse-seine" nets. Gloucester is the home of the "mackerel fleet."

The Principal Fishing Ports of New England

The fishing industries of Boston, Gloucester, New Bedford, and Portland are highly individualized. They have had different origins and developments. Their specialization, fishing methods, and organizations are also dissimilar. We should clarify their individualized characteristics before we discuss their common problems.

Boston

The foundation for the twentieth-century expansion of Boston's fresh- and frozen-fish business was laid in 1914 when the Boston Fish Pier, then the world's largest, was opened for business. The pier was built by the State of Massachusetts at a cost of over a million dollars. It was leased to the Boston Fish Market Corporation, a private company formed and owned by the fish dealers, which spent another million dollars for buildings. Its icing and cold-storage plant was the nation's largest devoted exclusively to the fishing industry. The improved facilities enabled landings to soar from less than 100 million pounds in 1914 to more than 285 million pounds in 1930.

Three technological developments stimulated the enormous expansion in Boston production. "Beam" trawling was introduced from England in 1906 and was reasonably perfected by 1916. A huge net dragged over the fishing banks replaced hand-line trawling from dories on the open sea. Beam trawlers became the port's best all-season source of groundfish and tremendously increased the productivity of the fishermen.

The second innovation was the invention of the filleting process in 1922. It facilitated the marketing of clear, boneless meat-sections of fish and the disposal of inedible portions at the port. The filleting process was particularly stimulating to the marketing of groundfish and complemented the expansion of productive capacity induced by the beam trawler. In addition, filleting encouraged the greater use of branded products, the utilization of fish waste in a growing by-products industry, and the entry of chain stores into the fresh- and frozen-fish business.

The third development was the substantial improvement in the methods of freezing and storing fish. The introduction of quick-freezing processes around 1926 aided the industry to enlarge its market still further.

This combination of favorable circumstances made Boston the undisputed haddock capital of the world, though even before World War I haddock ranked second to cod as Boston's most valuable fish. From 1914 to 1949 haddock and scrod (baby haddock) constituted about half the total weight of fish landed at Boston. Their proportion of the value of total Boston landings rose from 10 per cent to 60 per cent over the period.

Nearly all fish landed in Boston are sold through the New England Fish Exchange at the Boston Fish Pier. The Exchange, an auction market, was set up by the dealers in 1908 under their own rules. In 1919 the dealers were found guilty of combining and conspiring to restrain trade in violation of the Sherman Anti-trust Act. The Exchange has been operated since 1919 under rules approved by a federal court.

Commission men act as agents of the vessel owners during the fish auctions. Each species on each vessel is sold separately. Dealers who buy fish on the Exchange, which is open to all legitimate fish merchants who pay the Exchange fees and comply with its rules, must post a bond to cover their purchases. A singular feature of the rules is the "sellover," a provision that there may be a resale, as second or third quality, of any fish which do not qualify as first quality as they are removed from the vessel after the original sale. The sellover has been a source of constant controversy in the market, especially between the dealers and the fishermen.

Boston fishermen, like all New England fishermen for generations, receive their wages as shares in the value of the catch under a system known as the "lay." Certain expenses are deducted from the gross value of the catch as joint expenses of the crew and the vessel owner. The remainder is divided between the fishermen and the owner according to stipulated percentages. The expenses of the trip for which the fishermen are responsible are deducted from the fishermen's percentage, and the remainder is divided evenly among all members of the crew, including the captain. In addition, the captain is paid a specified percentage of the owner's share. Since 1939, the terms of the Boston lay have been determined through collective bargaining between the

Atlantic Fishermen's Union and the Federated Fishing Boats of New England and New York, Inc. The present lay allocates 60 per cent to the fishermen and 40 per cent to the owners.

The Boston market is unique in that most of the port's 38 large trawlers are owned or managed by fish dealers. The trawlers account for 80 to 85 per cent of all fish landed. The integration of boat owning and dealing in the Boston market has intensified the interest of the dealers in low prices on the Exchange. They have more to gain from the purchase of cheap fish than they could possibly realize, as vessel owners, from higher landing prices. Filleting yields the dealer only about 40 per cent clear meat. He can save approximately 2.5 cents in fillet production costs for every cent the cost of raw fish can be reduced. Consequently, the dealer-boat-owners are as interested as the non-vessel-owning dealers in keeping prices to a minimum on the Exchange. This situation has contributed to the continued strife between Boston's fishermen, whose earnings depend upon the price of fish, and the boat-owning dealers.

The prosperity of the Boston fishing industry is difficult to assess, since income statements are not generally available. Even where they can be obtained for several of the larger concerns, they show only the combined operations of fish dealing and other lines. An examination of balance sheets made public under Massachusetts law, however, provides some indication of profitability. The World War II period was exceptionally lucrative. Seventeen firms increased their combined surplus accounts from $935,000 at the end of 1941 to $2,200,000 in early 1947. Between that time and early 1949 prosperity waned. The largest firm in the sample added another $500,000 to its surplus account, but the remaining 16 companies as a group barely maintained their 1947 standing.

Gloucester

In 1933 this world-famed fishing port reached its lowest ebb in production and prosperity. Once the salt-fish center of the world, Gloucester's fortunes declined steadily after 1900 as lower-cost foreign competitors gradually priced the port out of the salt-fish market. After 1935, however, the Gloucester fishing industry staged a successful comeback. By 1943 it surpassed Boston in volume of landings and led all New England as a producer of food fish.

The springboard for this remarkable resurgence of fishing activity was the development of a huge mid-western market for redfish, a species which New England fishermen had discarded as trash prior to 1933. Chance experimentation, about that time, revealed that the redfish yields a small white fillet with the taste and texture of fresh-water perch.

Although the discovery that led to the development of the market for redfish seems to have originated in Boston, Gloucester capitalized on the find. The location of Gloucester enabled it to take advantage of the new opportunity. It was only a few hours from banks in the Gulf of Maine where redfish were plentiful. It had unoccupied buildings and wharf space, as well as available vessels and fishermen eager to work more regularly. Gloucester was also aided by Boston's limitations. Boston was a beam trawler port, geared for the handling of the larger groundfish, especially haddock and cod. It could not easily accommodate additional millions of pounds of redfish.

Gloucester's fishing industry has expanded phenomenally during the last 15 years. Redfish landings soared from a few thousand pounds in 1934 to almost 185 million pounds in 1949 and constituted nearly 80 per cent of the total catch. Dealers have marketed most of the redfish in frozen form in the midwest as "ocean perch." Since 1938 the port has had its own fish pier and public freezer.

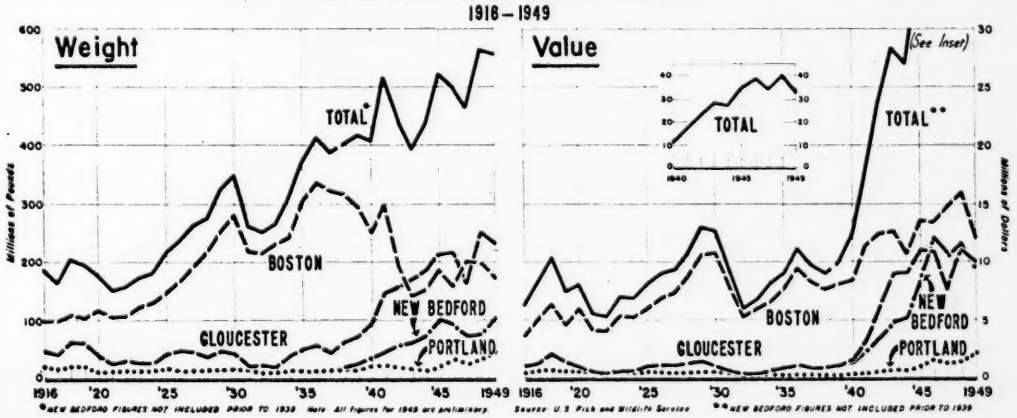
Fishing is not only traditional in Gloucester; it is also the economic mainstay of the city. An estimated 70 per cent of the 25,000 population depend, directly or indirectly, upon fishing for their livelihood.

Fish landed at Gloucester have been sold since 1944 through a selling room established and managed by the Atlantic Fishermen's Union. A union-paid custodian conducts the bidding. Each sale is consummated when the vessel's captain accepts a bid for his "trip," or boat-

LANDINGS OF FISH AND SEA SCALLOPS AT LEADING NEW ENGLAND PORTS

BOSTON, GLOUCESTER, NEW BEDFORD, AND PORTLAND

1916–1949



load of fish. Any dealer may bid in the selling room, and there is no admittance fee. The system was established at the insistence of the union, because the fishermen felt that selling to the dealers individually did not bring the full pressure of competition to bear on prices.

Gloucester fishermen work under a lay determined through collective bargaining between the union and the vessel owners. The larger vessels have a lay similar to that for Boston. The smaller vessels operate under a slightly different arrangement. Most of the 248 vessels operating out of Gloucester are owned independently rather than by dealers, and the community of interest between fishermen and boatowners is considerably greater than it is in Boston.

About 24 dealers were doing business in Gloucester in 1949. Although only four or five were very large, one company was fully integrated and handled about one fifth of the fish landed in the port. That concern operated vessels and sold salt, smoked, pickled, and canned fish as well as frozen products. It also marketed several fish by-products.

The Gloucester industry was unusually profitable during the war years. Vessel owners prospered immensely, despite sharply higher operating costs, as the average price of fish landed rose from 2.2 cents a pound in 1941 to 4.96 cents a pound in 1946 and the volume of landings increased by 47 per cent. The dealers, too, had exceptional earnings.

Since early 1947, Gloucester's fishing industry has been far less profitable. While the largest processor and dealer has continued to enjoy substantial profits, most other dealers have had less success. At least two firms which were started during the war went out of business in 1949, and three others were bought out at mortgage value or taken over by existing firms. The vessel owners seem to have had an even worse experience in the postwar period. A sizable proportion of the fleet is said to have operated "in the red" in 1949.

New Bedford

New Bedford did not take its place as one of the leading seafood-producing centers of New England until after 1937, although a fairly large fishing fleet had used it as a home port since at least 1920. The fleet had formerly landed its catch at New York.

New Bedford's phenomenal growth as a primary fish market after 1935 depended on a combination of related developments. The introduction of refrigerated trucking service into New York's Fulton Market enabled the city to take advantage of its fishing fleet, its ample docking facilities, and its favorable location with respect to the southern New England fishing grounds. The development of flounder filleting and the opening of the port's first freezer exclusively for fish freezing and storage improved New Bedford's marketing position. The overwhelming demand for fish generated by World War II — a factor which added to the prosperity of all New England ports — helped New Bedford to expand in particular. It made fishing one of the city's most profitable industries.

New Bedford's seafood specialties are flounders, particularly the yellowtail flounder, and deep-sea scallops. Both sell in national markets. In 1948 yellowtail flounders accounted for one third of the weight and one fifth of the value of New Bedford's landings. Sea scallops are the basis of a separate and profitable branch of the port's fishing industry. About 95 per cent of the nation's sea-scallop supply comes from New Bedford. Scallops constituted 45 per cent of the value of the 1948 catch, even though they accounted for only 13 per cent of the total weight.

Fish landed at New Bedford are sold through a selling room operated by the Atlantic Fishermen's Union, as in Gloucester. The market is open seven days a week. Dealers may bid on all boatloads of fish simultaneously for one-half hour each morning. Each vessel's catch is sold to the dealer whose bid is the highest for that boatload of fish when the half hour has elapsed, if the captain approves the bid.

Most of the fishermen, boatowners, and dealers belong to three distinct economic groups in New Bedford, just as they do in Gloucester. The fishermen work under a "lay" determined through collective bargaining by the Atlantic Fishermen's Union and the New Bedford Seafood Producers' Association, which represents the vessel owners. Harmonious relations have prevailed between

FACILITIES AND EMPLOYMENT IN THE NEW ENGLAND FISHING INDUSTRY AT BOSTON, GLOUCESTER, NEW BEDFORD, AND PORTLAND

1945

Port	Number of Vessels	Number of Fishermen	Number of Processing Plants	Number of Shore Workers	Number of Fish-Freezing Plants[a]
Boston	89	1,000	55	2,000	11
Gloucester	248	2,000	21	2,300	6
New Bedford	208	1,400	31	1,200	3
Portland	41	246	6	788	4
Total	586	4,646	113	6,288	24

[a] 1949 data.
Sources: U. S. House of Representatives Committee on Merchant Marine and Fisheries; and others.

the fishermen and owners for the last several years.

Prior to 1943 only five dealers purchased seafood in the New Bedford primary market, and one of them bought more than 65 per cent of the catch. After that date the number of dealers more than doubled, and several fillet houses opened. The fleet expanded by more than 100 vessels, landings doubled between 1941 and 1945, and landing prices nearly tripled.

Earnings of the New Bedford fishing industry were very high during the war period. Between early 1942 and the end of 1946, three dealers whose financial statements are available quadrupled their assets and increased their combined surplus accounts from $1,000 to $57,000, even though war-born companies conducted most of the processing and dealing at New Bedford in 1944 and 1945.

The comparatively sharp drop in landings of food fish after 1946 undermined the profitability of a large portion of the New Bedford dragger fleet, despite slightly higher fish prices. Many vessel owners appear to be on the verge of bankruptcy. Scalloping remained profitable until the fall of 1948, when prices took a downward plunge from which they had not recovered by December 1949. The 1949 landings were the largest in history by weight, but they represented the poorest showing of New Bedford in value of food-fish production since 1943. More than 42 million pounds were "trash fish," sold for by-product purposes at an average price of one cent a pound.

Other segments of the industry have also felt the postwar pinch. One freezer has gone through bankruptcy and operates only occasionally. The other may have its mortgage foreclosed by the Reconstruction Finance Corporation. The dealers have fared only a little better. At least five small companies went out of business in 1949 alone.

Portland

The marketing of redfish rejuvenated the fishing industry of Portland, just as it had saved Gloucester from possible extinction as a major fishing port. Landings of redfish expanded from 70 thousand pounds in 1935 to over 20 million pounds in 1946 and carried Portland's total landings to their highest point in history. In 1946 redfish made up 59 per cent of the weight and 51 per cent of the value of Portland's total landings.

The facilities of the fishing industry in Portland have not improved to reflect the expansion of production, as they have in Gloucester and New Bedford. With few exceptions, the docks and buildings used by the industry are in poor repair. Fishing vessels operating out of the port are small in size and number.

The primary market in Portland is not organized as it is in the other main ports. Fish are sold to the dealers by fishing captains on an individual basis. Although the Atlantic Fishermen's Union has had an agent in the city since 1946, a substantial number of the fishermen are unorganized and few contracts exist between the union and vessel owners.

In 1949 there were 11 firms in Portland cutting fillets for the wholesale trade. Although most firms were small, two of them represented substantial recent investment by Boston companies. A third, which processes most of the redfish landed in the port, is connected with a large midwestern fish wholesaler which handles its products.

Few figures are available to indicate the profitability of the Portland fishing industry, but there is some evidence that Maine's future redfish operations will be concentrated in Rockland rather than in Portland. In 1949, one of the larger Portland companies opened a modern icing plant in Rockland. A Boston concern which has had a redfish plant in Rockland since 1946 is said to be planning to expand its facilities there.

THE BOSTON LAY

The Owner agrees that the Lay shall be the 60-40 Lay as follows:

(a) There shall first be deducted from the gross stock the following items:

Ice for three months actual fishing starting June 1st	Actual Cost
Wharfage	Actual Cost
Scales	Actual Cost
Exchange Fee	Actual Cost
Chief Engineer	$25 per trip
2nd Engineer	$15 per trip
Mate	$20 per trip
Sounding	$1.50 per day
Watching	Actual Cost

(b) The balance of the remaining stock shall then be divided as follows: Sixty (60) per cent thereof for the crew and forty (40) per cent thereof for the owner.

(c) From the crew's said sixty (60) per cent of the remaining stock there shall be deducted the following items:

Fuel	Actual Cost
Lubricating Oil	Actual Cost
Ice	Actual Cost
Icing Up	Actual Cost
Groceries and Provisions	Actual Cost
Cook's Per	$15 per trip
Water	Actual Cost
5 Lumpers and a checker if used on a 17 man crew, or 7 Lumpers if a 15 man crew is used	Actual Cost

Source: 1946 Uniform Trawler Agreement between the Atlantic Fishermen's Union and Boston trawler owners and the Federated Fishing Boats of New England and New York, Inc.

Note: In case of a "broker" or unsatisfactory trip due to breakdown, the owners agreed under this contract to pay all expenses and to pay the fishermen a per diem up to ten days as follows: Fishermen, $5.00; Mate, $6.00; Chief Engineer, $6.00; 2nd Engineer, $6.00; Cook, $6.00.

The Problems of the New England Fishing Industry

Decline in Fish Population

Three of the most important food fish in the New England catch have become increasingly difficult to secure in recent years. They are haddock, the area's most valuable groundfish; redfish, the mainstay of the fresh- and frozen-fish industry at Gloucester and Portland; and yellowtail flounder, a highly valuable specialty of New Bedford. While the fishery biologists of the United States Fish and Wildlife Service have not yet determined definitely the reasons for the scarcity of these species, much of the evidence uncovered to date indicates that overfishing is an important factor in their declining numbers.

From the industry's standpoint, the problem is most serious. Scarcity of these fish on New England banks means higher unit costs of production, because supplies can be obtained only by fishing more intensively in New England waters or by making much longer trips to more distant banks.

HADDOCK—The haddock fishery of New England has been a source of grave concern to federal fishery biologists since about 1931, when landings at the principal ports dropped to 118 million pounds from an all-time

high of 180 million pounds in 1930. As early as 1936, U. S. Fish and Wildlife Service biologists suggested that overfishing was largely responsible for the decline in haddock abundance on Georges Bank, the nearest and most prolific New England fishing ground.

As haddock became scarcer on Georges Bank, the industry stepped up landings from Canadian waters and concentrated on scrod (baby haddock) from the New England banks. Unfortunately, both policies worsened the industry's predicament. Haddock have become scarce on the nearer Canadian banks. The destruction of baby haddock on Georges Bank through heavy scrod fishing has reduced the haddock population on that fishing ground by 62 per cent since World War I, according to the U. S. Fisheries Laboratory at Woods Hole.

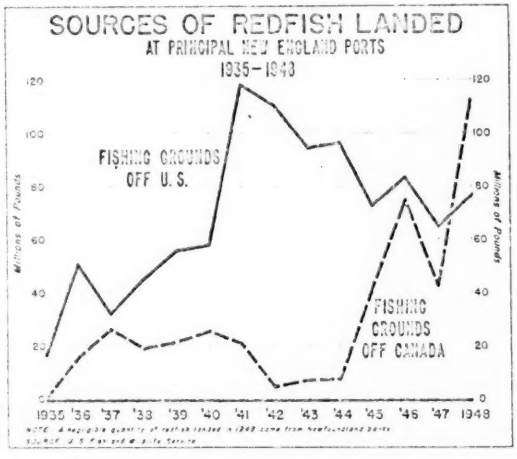
Boston, New England's haddock center, suffered most severely because of the scarcity. A Fish and Wildlife Service official estimated in 1934 that during that year alone the longer trips to the Nova Scotian banks added more than 2600 days to the running time of Boston trawlers, at $250 a day. Since present costs are two or three times greater than those in 1934 and Nova Scotian trips are even more common, Boston owners and crews today face a substantially greater disadvantage.

Fish and Wildlife scientists have advocated several specific moves since 1936 to alleviate the acute haddock shortage. They have recommended that larger-mesh nets be adopted by the industry to allow baby haddock to escape capture until they mature. Haddock grow most rapidly during their first three years of life, and extensive tests indicate that about half the baby fish now destroyed might be spared if the larger mesh were used. The Service has suggested that a minimum legal length and weight be set for haddock landings to discourage the catching of immature fish. The Service has also advocated the negotiation and adoption of an international treaty by the several countries, including the United States, which are engaged in exploiting North Atlantic fishery resources. The treaty would provide for further study of the problem and the adoption of practicable conservation regulations.

Although the industry has so far spurned the first two recommendations, implementation of the third began in 1949. The countries primarily concerned negotiated a conservation treaty, though up to January 1, 1950, only the United States had ratified it. Since it cannot become operative until ratified by at least four of the signatory nations, it appears that effective action under the treaty is still a distant prospect.

REDFISH—Scarcity of redfish in New England and adjacent Canadian waters is a comparatively recent phenomenon. Intensive exploitation of the resource has existed for only about ten years. Nevertheless, the situation is potentially more threatening than that in the haddock fishery. The tremendous expansion in catch of the last few years could not have occurred without the help of longer trips to northerly Canadian banks. The redfish caught in New England waters seem to have become smaller and smaller in size.

The critical factor in the dismal outlook for redfish supplies is their slow rate of growth. Biologists estimate that these fish take at least nine years to reach maturity. The indications are that redfish are being



captured on the New England banks at a faster rate than they can reproduce and grow to salable size. There has been an absolute decline in supplies from this source since 1941 despite increased fishing effort. When the more distant grounds have been exploited to the fullest and total production begins to decline, it will take considerable time for the redfish fishery to recover.

Redfish vessels encounter cost difficulties similar to those cited for Boston haddock vessels as they push farther afield in search of new stocks. Unfortunately, research on the redfish scarcity has not proceeded as far as the study of the haddock shortage. There are no official recommendations for alleviating the potential decline of redfish. Thorough investigation of the problem will probably have to await adoption of the international conservation treaty.

YELLOWTAIL FLOUNDER—Fishermen have sought yellowtail flounder intensively only since the opening of the New Bedford market and the discovery that yellowtail makes an excellent filleted product. Landings reached a peak of 36.7 million pounds in 1942 and then dropped to lower levels from which they have never fully recovered. Only more intensive fishing on southern New England banks and the discovery of additional stocks on Georges Bank kept production from further decline after 1944. The average daily catch of yellowtail flounders by small trawlers on the southern New England banks declined from 9,600 pounds in 1942 to 4,800 pounds in 1948. Landings from Georges Bank increased from ten per cent of New Bedford's yellowtail catch in 1946 to 62 per cent during the first eight months of last year.

Fish and Wildlife Service biologists began a study of yellowtail flounder early in World War II. By the middle of 1951 initial findings on all phases of the fishery may be completed.

Marketing Difficulties

New England fishing interests must surmount formidable barriers to maximize the sales value of their fresh and frozen fish in American markets. The competition of other protein foods, principally meat, and the competition of imported fish limit the sales and prices of

New England fish. The overwhelming preference of consumers for meat severely restricts the total demand for fish. Moreover, recent increases in fish imports threaten to absorb a substantial portion of the total American market. In addition, the distribution system for fish absorbs a very high percentage of the retail price. This allocation has held the industry's share of the retail sales dollar for fish to a minimum.

Fish have been called "the bottom rung of the economic ladder of meat." In June 1947, average weekly family expenditures in the United States for meat and poultry were $2.36; for fish they were only 20 cents. Annual per capita consumption of meat products in 1947 was 155 pounds in contrast to 6.2 pounds per person for fresh and frozen fish. American fish consumption has been confined largely to Fridays and to the Lenten season. The seasonality in cold storage holdings of fish, shown in an accompanying chart, tends to indicate that the industry has been dependent on the Lenten season to move stocks of frozen fish.

The principal marketing problem of the fish industry is to increase and stabilize the demand for fresh and frozen fish by smoothing out its weekly and annual sales curve. It must make fresh and frozen fish a matter of everyday consumption in every month.

To increase per capita consumption, the industry must encourage the sale of fish at prices low in relation to those for meat. Per capita fish consumption declined from 1930 to 1933, for example, despite lower fish prices. A study of available data for the period 1930 to 1937 indicates that per capita consumption of fresh and frozen fish was highest when fish was cheapest in relation to meat prices.

The fishing industry must also convince the public of the desirability of eating fish and publicize the varied ways in which it may be served. Tests have shown that fish is equal to meat in nutrition, although housewives have traditionally classified fish as an inferior food to be served only when they could not purchase meat. Many homemakers have never become acquainted with most of the interesting and palatable methods of preparing fish. A study made in 1946 revealed that more than 70 per cent of the women interviewed served only fried fish; 85 per cent asked for instructions on how to thaw frozen fish.[2] The industry might obtain large returns if it could meet the challenge to educate the housewife.

Fishery products move through a variety of market channels from the New England fishing centers to the final consumer. Dealers and chain stores are the principal purchasers of fish at the ports. They may process the fish into fillets or sell them whole. The larger dealers distribute fish through their own brokers in key cities to jobbers who supply the retail trade. Others sell through independent brokers to wholesalers and retailers. Some dealers ship directly to institutional buyers and retail stores, occasionally on a "cash and carry basis." They also supply "secondary" wholesalers and processors who move the fish to the retail dealer. Some chain stores handle the fish from the pier to their own retail outlets.

The available evidence indicates that "charge what the traffic will bear" is the only price policy adopted by the fish dealers. Companies in the major ports typically aim at a gross profit of one to two cents a pound on whole fish and a 10 to 20 per cent markup on fillets. These margins are only "rules of thumb" and are frequently not realized. In actual practice, dealers sell at the highest markup obtainable under existing market conditions in the hope that the average margin over time will approximate the "ideal" level.

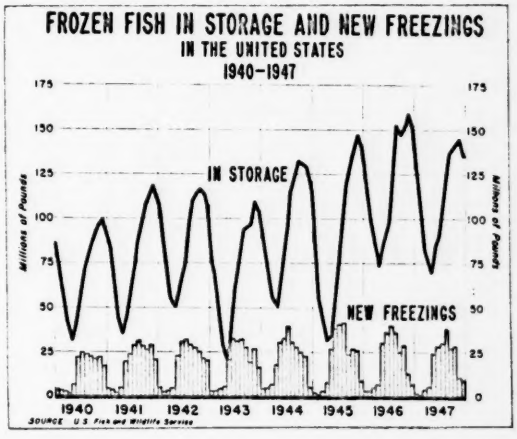
Much larger markups have occurred later in the distribution process. Traditionally, the large wholesalers have received markups of 30 to 40 per cent, and retail stores have operated on margins of 50 to 100 per cent. A price of fish to the consumer double that received by the major-port dealer has not been unusual. Wholesalers have defended their markups by citing the cost of handling and financing the product; retailers have blamed the danger of loss due to perishability and one-day-a-week markets. Nevertheless, trade markup practices have held down the flow of income to the New England fishing centers.

Although wholesale and retail markups seem to have shrunk in some areas during the last year, there is little evidence of uniform reductions. Only a few of the chain stores, which have fully integrated facilities from the port to the retail level, can maintain control over wholesale and retail markups. Independent wholesalers and retailers have the greatest bargaining power in the chain of markets from the ports to the consumer. Wholesalers, who receive detailed information daily on prices paid for fish by the dealers, can take advantage of the high degree of price competition among dealers. Retailers have customarily received substantial margins as an inducement to handle fresh and frozen fish. Many are still unaccustomed to handling it.

The power of the New England fishing industry to effect reductions in distributive margins is severely restricted by the lack of effective controls over the later stages of the marketing process. Nevertheless, steps taken to encourage greater competition among wholesalers and retailers who handle fishery products might pay substantial dividends to the industry.

Foreign Competition

Foreign competition is not a new problem for the New England fisheries. New England lost its salt-fish trade to Canada and other northern countries before the first



[2] "Fresh and Frozen Fish Questionnaire," *Parents' Magazine*, March and April 1946.

World War. New England interests have continuously had a "tariff-conscious" attitude. Wartime and postwar developments, however, have made the challenge from foreign fisheries more acute.

Tariff regulations have protected fillets ever since they became a major fishing product. Under the Tariff Act of 1922 the import duty on all fillets was 2.5 cents a pound. The Tariff Act of 1930 continued that rate until the second trade agreement with Canada, effective January 1939, reduced the duty on groundfish fillets to 1.875 cents a pound. The reduced rates applied to annual imports of 15 million pounds or 15 per cent of the average annual United States consumption of fillets in the three preceding years, whichever was the greater. Imports of groundfish fillets in excess of the quota and imports of all other fillets remained subject to duty at 2.5 cents a pound.

An indication of the potential threat to New England interests from foreign fillet producers came in 1939. Imports rose 64 per cent above the 1938 level. The largest New England filleting concern made an unsuccessful attempt to establish a new plant in Newfoundland and ship fillets into the United States duty free. It failed only because Congress redefined "American Fishery" to make the products of such a venture subject to the American tariff. These events not only emphasized the importance of the tariff for the maintenance of New England's position under existing cost and market conditions, they also made clear the potentialities in the development of fresh- and frozen-fish facilities in the countries to the north.

Two developments during World War II transformed those potentialities to realities by 1946. Filleting and freezing facilities were expanded greatly in Canada, Iceland, and other northern nations to provide food-fish for the allies. Liberal governmental subsidies helped their fishing fleets to grow. Moreover, price inflation cut the ad valorem equivalent of the American tariff from a level of 24.7 per cent in 1939 to 9.3 per cent in 1946. Foreign producers rushed to take advantage of the favorable situation. Imports of groundfish fillets alone were five and a half times as large in 1948 as they had been in 1940.

Thoroughly alarmed by the flood of postwar imports, representatives of the New England industry have visited regularly in Washington to seek greater protection. Interests in the industry which have never seen eye-to-eye on any other problem have pooled their resources to try to set an import quota on foreign fillets of about 43 million pounds annually. So far their efforts have succeeded only in maintaining present restrictions from further cuts under reciprocal-trade agreements. The evidence which they have presented to Congressional committees, however, shows the vulnerability of the New England industry.

New England's principal foreign competitors have several important cost advantages. They are closer to their fishing grounds and can land fresher, higher-quality fish; their prices for landed fish are appreciably below American prices; and their labor costs in processing fillets are substantially lower. Foreign fishermen can reach the fishing grounds in as little as three to six hours. The New England fleet, in many instances, sails from three to five days to get supplies. On the larger American vessels, trips last nine to twelve days. Foreign dealers pay 40 to 50 per cent less for groundfish than New England dealers pay. Shore labor in Canada, Newfoundland, and Iceland receives wage rates from 35 to 60 cents an hour less than prevailing rates in New England. Labor productivity is as high in foreign shore plants as it is at the New England ports.

Despite their greater distance from American markets, foreign concerns do not face an important disadvantage in the cost of transporting their fishery products. Water shipment rates are low, and rail rates from the Maritime Provinces to the Midwest are about the same as those paid by New England dealers.

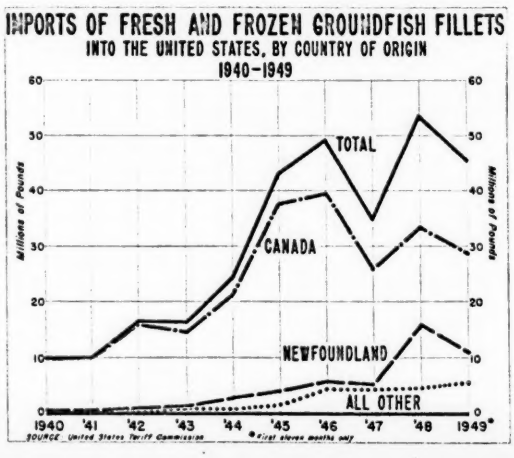
The effects of the foreign cost advantages are accentuated by present world monetary conditions. The competing nations are anxious to maximize their earnings of dollar exchange. They are subsidizing their fishing industries in order to increase their dollar-earning power. New England fishermen, vessel owners, and dealers will have to achieve greater efficiency and develop their market if they are to meet the vigorous foreign competition based on natural advantages and planned objectives.

Internal Conflict

Two unions represent most of the workers in the major New England fishing ports. The Seafood Workers' Union, affiliated with the International Longshoremen's Association, A. F. of L., has locals in each port and contracts with nearly all dealers and processors using shore help. The Atlantic Fishermen's Union, affiliated with the Seafarers' International Union, A. F. of L., represents virtually all fishermen in Boston, Gloucester, and New Bedford. It has been organizing fishermen in Portland and Rockland, Maine, since 1946.

The Seafood Workers' Union and the dealers have enjoyed comparatively peaceful relations. Few strikes or lockouts have occurred, although company officials in Boston and Gloucester have complained about union restrictions on productivity. Both sides have tried to keep discord at a minimum.

The fishermen's organization has had a much more stormy record. Since its formation in 1937, it has had repeated difficulties with the dealers in each of the



Massachusetts ports. The underlying basis for the conflict has been the dependence of fishermen's earnings on the lay system of wage payments. The fishermen have agitated continuously for higher prices and for "fair-weighing" methods to improve the value of their catch. They have also imposed catch restrictions calculated to yield the most favorable prices and incomes.

DEALER-FISHERMEN CONTROVERSIES—The worst relations between the fishermen and dealers have prevailed at Boston, where most of the vessels are dealer-owned. The groups have clashed both as buyers and sellers and as employers and employees.

Relations between the Fishermen's Union and the association of dealer-vessel owners have deteriorated progressively. The three contracts negotiated between 1939 and 1946 were signed only after aggregate losses in fishing time of more than 13 months. Since the last agreement expired in 1947, the parties have not initiated negotiations for a new one. Operations continued under the old contract only because each group hesitated to insist on changes which both knew would almost certainly precipitate a bitter labor dispute when the port could ill afford it.

Controversies over the process of price determination on the New England Fish Exchange have continued apace. The fishermen have argued that the dealers violate the rules of the Exchange daily in their zeal to obtain fish at cheaper prices. They also disagree violently with the rules themselves.

The fish-resale provision, or sellover, is the fishermen's outstanding grievance. This arrangement allows a dealer to refuse to take any more fish after a certain quantity has been removed from the vessel, if he feels that the fish are no longer first quality. If the dealer is successful in his stand, the fish still in the vessel must be "sold over" or auctioned a second time. The resale nearly always results in lower prices for the remainder of the fish on the boat.

In practice, the fishermen always challenge the dealer's quality protest and maintain that the fish are still "number 1" quality. An arbitration board consisting of the dealer, the fishermen's representative, and any mutually acceptable third person willing to serve is then invoked to settle the dispute. If the dealer and the fishermen cannot agree upon a third party, the Exchange manager determines the quality. The fishermen lack faith in the Exchange manager's decisions because he is indirectly an employee of the dealers and because he operates a supply house which sells materials to the dealers.

Perhaps the principal reason why the sellover presents so many difficulties is that its use appears to depend more upon the state of the market than upon the physical qualities of the fish. Dealers are most likely to question quality when demand is only fair and supplies of fish are large. It appears, for example, that the same quality fish may be top quality on Monday when supply is short in relation to demand and second quality on Tuesday when the opposite market conditions exist. Dealers seldom asked for the sellover when competition for fish was extremely keen during World War II. That experience strengthened the fishermen's belief that the sellover is a price-cutting device "built into the market mechanism" so that the dealers may evade responsibility for the bids which they originally made.

The dealers are equally insistent that the sellover is essential to the maintenance of their competitive position. They claim that the incomes of fishermen would be lower if the sellover were eliminated. It would then be impossible, they say, for the dealers to bid extra amounts for the higher quality fish.

Despite its volatile character, the sellover seems to be a desirable feature of the Boston market. It promotes emphasis on quality in the primary market. In highly perishable food operations, a market should stress anything which improves quality. Nevertheless, changes should be made to eliminate the issues which the sellover has raised. They ought to be made soon, for the sellover difficulties are symptomatic of the turbulent industrial relations in the fishing port of Boston.

The sellover dispute interferes with cooperation between Boston's fishermen and dealers on all other matters. Since mid-1949, for example, the Fishermen's Union has been urging the return of some of the twelve trawlers sold to the United States Army early in 1949 for use in the German North Sea fisheries. The union argues that the Army has found the trawlers unsuited for North Sea use and that they should be returned to increase Boston's catch. The dealers and vessel owners retort that more vessels are not needed. Their solution is fuller operation of the present fleet, with less shore time for fishermen between trips. The fishermen in return state that they see no reason for making more frequent trips as long as the dealers refuse to consider changes in the sellover rules. The discussion bogs down in argument at that point.

The Fishermen's Union and the independent boat-owners in Gloucester and New Bedford have enjoyed fairly harmonious relations. Both have the basic common interest of maximizing the value of the catch; both have reasonably adequate information about the economic limitations of the other. Generally, the vessel owners have watched with interest the fishermen's attempts to increase the prices of fish landed.

The fishermen set up selling rooms as their first move. They hoped to eliminate price controversies and promote competition among the fish dealers. On the whole, competition for catches has increased, but controversies over the proper value of the catch have continued.

At Gloucester, disputes have centered about weight allowances and weighing methods. The fishermen's local has forced the dealers to use de-icing machines in unloading the catch. The dealers now submit samples to a joint committee representing the crew and the dealer as the vessel is unloaded. The committee determines a fair weight deduction for ice and trash. Even that agreement has not eliminated controversy between the parties over weight determination. The fishermen still feel that some dealers' scales weigh "short." An impartial arbitrator suggested the use of bonded weighers. The union secured them, but the dealers refused to buy fish tallied by the bondsmen.

At New Bedford, the union has sought to keep the dealers from paying dock prices for fish which are lower than those previously bid in the selling room. Some dealers tried to lower prices by several cents a pound on the ground that not all fish delivered were first quality.

To meet that problem, the union has employed a sales contract which the dealer and the captain sign in the selling room. Nevertheless, at least one dealer has attempted to cut prices at his dock even after signing the selling-room contract.

The fishermen reacted in the same way at both Gloucester and New Bedford. They either refused to sell to recalcitrant dealers in the selling rooms, or they tied up the boats. Both courses of action were costly. The first left fish to deteriorate in the boats while the parties argued; the second reduced the number of fishing trips. In their present circumstances, neither port can afford to continue these costly conflicts. The elimination of basic differences between fishermen and dealers is a prerequisite for improving the competitive position of both groups.

RESTRICTIVE UNION POLICIES—Union restrictions upon the kind and amount of fish caught are as old as the fishing industry itself, for fishermen have always sought to land only those fish which the public favors. The members of the Atlantic Fishermen's Union have sought to systematize such regulations since the organization of the union. They have specified either the type and quantity of fish which they will land, or they have limited the total catch indirectly through restrictions on the amount of fishing.

Direct controls were by far the more common before June 1947. Whenever the fishermen felt that a particular species of fish was too plentiful in relation to demand, they simply voted to limit the quantity which could be landed per trip. That system had to be abandoned, however, when the Massachusetts courts enjoined the dumping of fish at sea and the refusal to sell fish for less than a stipulated price as conspiring to prevent the sale of fresh fish at its "fair market value" when offered for sale.

The fishermen retained their "fair-price" concept and turned to indirect methods of restricting the catch. They have adopted limits on trip length where such action seemed desirable, and they have also developed the practice of spending from two days to a week ashore between trips. Since these regulations are voluntary restrictions upon the work the fishermen are willing to do, they seem to be legal.

The effects of restrictive policies cannot be measured with precision. They do, however, raise costs of operation considerably. Overhead constitutes a high proportion of the cost of running fishing vessels. Policies which reduce their productive use or cut the volume of fish landed must result in higher unit costs of production. Moreover, it is not true that the reduced intensity of fishing effort from these policies is necessarily very favorable to conservation. The restrictions do not always reduce the catch of scarce species, nor have they become part of a systematic conservation program. It seems clear that restrictive union policies are a distinct competitive handicap to the New England fishing industry as a whole.

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A Constructive Program

We have outlined the serious problems which confront New England's principal fishing ports. Unless those problems are solved, the ports cannot maintain their standing as major fishing centers of the United States.

Fishermen, vessel owners, and dealers must realize that the problems of the New England fishing industry are of mutual concern and not just the responsibility of one group. Moreover, the solution to their difficulties depends largely upon constructive action which they themselves must initiate and carry out.

Urgent Need for Cooperation

The abandonment of internal conflict is the fundamental requirement for the future prosperity of the New England fishing ports. The industry cannot afford disunity. Cooperation has become the price each interest group must pay for future security. The solid foundation of enlightened self-interest should force the development of cooperation. Each segment of the industry has much to gain and a great deal to offer to make a joint effort successful.

The various groups undoubtedly recognize that all interests must work together if the industry is to be prosperous in the future. Spokesmen for each group have testified to this, either in private or at Congressional hearings in Washington. No group has been sufficiently willing to compromise its own position, however, to enlist the cooperation of the other interests for the good of the entire industry.

The fishermen, through their union, can remove those restrictions upon catch, type of fishing, and length of fishing trips which clearly raise the costs of vessel operation. They can impose upon themselves higher standards for handling fish at sea. They can adopt a systematic program for supplying men to keep fishing vessels in reasonably continuous use.

Vessel owners can insure that the facilities for handling and storing fish aboard their boats are adequate and sanitary. They can minimize breakdowns and sinkings of vessels at sea by insisting on high standards of care and maintenance.

The dealers can take steps to settle the price and weight-determination difficulties in the Massachusetts ports. In Boston, certain features of the sellover should be changed. At the very least, the dealers should agree to a final arbiter on fish quality who is an outside agent acceptable to both the dealers and the union. He should be paid jointly by both parties. Such a move by the dealers might lead to negotiations concerning further desirable changes in the Exchange rules and in the method of conducting the sellover itself. In Gloucester and New Bedford, the dealers could demonstrate their good faith by refraining from attempts to circumvent the established market system. Their bids in the selling rooms should reflect their real estimates of fish value, not figures to be reduced when the fish are delivered.

The dealers, in cooperation with the Seafood Workers' Union, should install a self-policing system of quality inspection for processing plants in each port. This would

improve conditions in some shops, particularly the smaller ones. It would help New England fishing products to live up to standards claimed for them and to meet foreign quality competition.

If each group in the industry would take the indicated steps, a better foundation would be laid for cooperative action. Equally important, the industry as a whole would benefit directly from the lower cost and higher quality product that would result. None of the suggested changes would cost much, but all would require sharp changes in attitude.

The Fish-Scarcity Problem

While the scarcity of fish is the immediate concern of the fishermen and vessel owners, its successful solution is of the utmost importance to the dealers dependent on the fishery. Two immediate steps should be taken to meet this problem.

Vessel owners should first of all adopt the mesh-net and legal-size recommendations for haddock conservation proposed by the Fish and Wildlife Service to reduce the uneconomic destruction of baby haddock before they grow to marketable size. Further, all interests in the industry should impress upon the Federal Government their genuine interest in the earliest possible activation of the international conservation treaty. These moves would be convincing evidence that the industry is anxious to cooperate in developing the technical and biological knowledge of the fisheries. The industry can also help to accumulate the information required for a comprehensive conservation program covering redfish and yellowtail, as well as other species in danger of depletion.

Secondly, the regional industry should initiate a research program, founded jointly by the Fishermen's Union and by the dealer and vessel-owner organizations, to cooperate with the Fish and Wildlife Service in discovering profitable uses for fish which are now abandoned or under-exploited. At present, only eight of the eighty or more available species of edible fish are fully exploited. Furthermore, the variety of uses for inedible fish and waste taken from North Atlantic waters seems to be almost unlimited. In the last year alone, a huge new "trash-fishing" industry has developed. Fish unsuited for eating are in great demand for the production of fish meal, fish oil, and fish solubles. More than 70 million pounds of such fish were landed at the main New England ports in 1949. The industry cannot afford to leave a major development like that to chance, as it did in the redfish expansion of the 1930's.

The research program might also encourage and foster the adoption of the latest technological developments for catching, handling, and processing fishery products. One such recent innovation is the freezing of whole fish at sea for later thawing and processing ashore. Fish and Wildlife research has reached a preliminary conclusion that this process is practical and advisable. It will have revolutionary effects when and if it can be adopted by the New England industry. The fishing range of New England vessels will have wider limits if the dangers of spoilage are eliminated. Equally important, it will allow the landing of whole fish in frozen form, with all waste available for New England's expanding by-products industries.

The Federal Government might give financial assistance to such a program, as the Secretaries of State and Commerce and the United States Tariff Commission recommended in 1949. The Fish and Wildlife Service already has a research vessel, the Albatross III, and several competent fishery biologists who are experimenting with freezing fish at sea. The industry has several sources of financial assistance, therefore, and should not defer action on such a project. It would represent the first coordinated research effort sponsored by the industry in its long history.

Expansion of the Consumer Market

As important as are the other elements in a forward-looking program for the New England fisheries, none is more vital than expansion of the consumer market. Here lies the answer to the problem of more income for the industry and, in part, to foreign competition.

Intensified programs to educate the American housewife in the use of fishery products are badly needed. They might be sponsored by New England interests in cooperation with the present efforts of the Fish and Wildlife Service. Consumer surveys have indicated that the average American homemaker is not aware of the variety of fishery products, the nutritional qualities of fish, and the varied methods of preparing fish.

There is a huge slumbering demand for fresh and frozen fish which could be awakened by more widespread education about fishery products, by persuasive advertising, and by attractive packaging. Those activities will cost money, and it is to the interest of each group in the industry to share the burden through its respective organizations. Joint promotion could emphasize the virtues of eating New England fish and supplement the advertising of individual firms. Furthermore, the Fish and Wildlife Service might increase its fish-cookery demonstrations throughout the country.

The outstanding weakness in the present market for fishery products is the seasonal and one-day-a-week character of consumer demand. Effective market development might make New England fish an all-week, all-year-round food. Increased competition among wholesalers and retailers to handle fishery products would tend to reduce the high margins traditional in the industry. A steadier day-by-day market for fish landed at the New England ports would also reduce the current instability of prices paid to fishermen.

The New England fishing industry has already taken its first steps in market development. The Gloucester Fisheries Association, which represents most dealers at the port, contributed $40,000 in 1949 to the National Fisheries Institute, Inc., its national trade organization affiliate, for advertising New England fish. In addition, the Gloucester organization started a special "ocean-perch" (redfish) advertising program of its own in January 1949. It published and distributed 100,000 copies of a cook book which features Gloucester fish recipes. The organization paid for those ventures through a voluntary assessment of five cents for every 100 pounds of fish bought through the selling room by the member dealers.

The industry has received helpful publicity in recent years from three other sources. In 1947, the Massachusetts Fisheries Association distributed thousands of

fish-recipe books to New England housewives through a Boston newspaper. During the summer of 1949, the Boston association and its Gloucester counterpart entertained food editors from national women's publications. The magazines published many favorable articles featuring the New England industry and its products. Finally, the Sea and Shore Fisheries Division of the State of Maine has issued cook books featuring Maine's fishery products, and it has distributed display materials for Maine's many seafood items. These activities point the way to improved consumer demand.

How to Meet Foreign Competition

The New England fishing industry has become increasingly alarmed at the rise in imports of fish. Imports provided only four per cent of United States consumption of fresh and frozen fish in 1931; they accounted for 23 per cent in 1948.

Canada, Iceland, and the other northern maritime countries plan to step up their exports to the United States still further. The Canadian provincial governments also hope to expedite the northern movement of the fishing industry by granting liberal mortgage loans and fishing-vessel subsidies. Two of the larger New England concerns which already have interests in the Maritime Provinces have initiated or plan substantial expansion of their Canadian operations.

New England interests have petitioned the Federal Government to impose a limit of 43 million pounds annually on imports of foreign fillets. They considered that request more desirable than an appeal for a higher tariff because import duties could not provide effective protection unless the present rates were raised 150 per cent. An increase of that amount would merely restore the ad valorem effectiveness of the pre-World War II tariff, when fish prices were about 60 per cent less than they are today.

After extensive Congressional hearings last year, the United States Departments of State and Commerce and the United States Tariff Commission recommended that the fishing industry's plea be denied. They pointed out that quantitative restrictions on fish imports would run counter to the country's reciprocal-trade policy of encouraging imports to alleviate the "dollar shortage." They noted that fish concessions were among the most important given to Canada, the nation which would be affected most severely by the imposition of fish quotas. Canada would be entitled to compensatory withdrawals if import quotas for fish were adopted. Since Canada is the most important export market for United States products in general, withdrawal of Canadian concessions might have a seriously adverse effect on our whole export trade.

Whether the New England fishing industry likes it or not, market development provides the principal defense against foreign competition. The task of lifting American fish consumption will be slow and difficult. Several factors in addition to those previously mentioned, however, make the outlook fairly hopeful.

The long-run trend of demand for fresh and frozen fillets is upward. Domestic consumption of those products nearly quadrupled between 1931 and 1948, despite the minimum of promotion and advertising. Many Americans who had never eaten fish were introduced to it during their wartime service activities. Others learned to like fish during the meat shortages. Children are acquiring a taste for fish as a consequence of the federal school lunch program, which makes fresh and frozen fish available in schools at reduced prices.

Some foreign producers have offered to support American interests in their attempts to expand the United States frozen-fish market. In 1949, the Frozen Fish Trades Association of Newfoundland subscribed over $12,000 to the National Fishery Institute to advertise frozen fish. The contribution represented five cents for every 100 pounds of frozen fish exported to the United States. Other foreign interests might be induced to offer similar assistance.

Most of the competition from foreign suppliers so far has been concentrated in the American Midwest. The rest of the national market is open to New England interests. On the East Coast alone, there is an under-developed market of more than 30 million persons with relatively high means. The New England industry has attempted to sell redfish in the East only during the last few years.

Finally, the New England industry can benefit from the present boom in frozen foods by increasing its emphasis on frozen-fish production and by developing attractive packaging. Total frozen-food sales increased 70 per cent from 1948 to 1949. Furthermore, the Bureau of Labor Statistics reports that 75 per cent of the food stores in the 56 large cities covered by its surveys now have facilities for displaying and selling frozen foods. Only half that number of outlets was available in 1945.

State and Federal Aid

The New England fishing industry must rely heavily on its own efforts to improve its competitive position, but both the states and the Federal Government can provide assistance. The intervention of the Governor of Massachusetts might stimulate greater cooperation among the divergent interests in the Massachusetts ports and produce some positive action. Spurred by the uncertain future of Massachusetts' fishing operations, the Governor appointed a committee in December 1949 to explore possibilities for helping the industry. The Committee was headed by the Director of Marine Fisheries. Its members represented fishermen, dealers, and owners in Boston, Gloucester, and New Bedford.

The Committee reported to the Governor on February 27, 1950. Its recommendations paralleled some of those contained in this article. It requested continued experimentation with freezing at sea, implementation of the international conservation treaty, and further scientific study of haddock and other species in danger of depletion. In addition, the Committee requested financial aid from the Reconstruction Finance Corporation for improving and modernizing the industry's facilities and recommended that the armed forces increase their purchases of frozen fish. Finally, it suggested that the Massachusetts Development and Industrial Commission cooperate with the industry to publicize and promote the use of groundfish.

To be of maximum effectiveness, however, adoption of these proposals must be preceded by a reconciliation of differences within the industry itself. Governmental aid can help but cannot solve the problems of an industry torn by inner conflict.

Ski Business Shows Gain in February

NEW ENGLAND vacation lodging places in ski areas reported that they did more business during the 1949-50 winter season than in the very poor season of 1948-49. Ski lodging business was, however, far below the standards set in the winters of 1946-47 and 1947-48.

The New England[1] vacation lodging places catering to winter sports enthusiasts entertained about eight per cent more guests during December, January, and February this year than in the same period a year ago. Guests spent about 15 per cent more money at lodging places this season than they spent last season.

The 1949-1950 season was not a good year for the lodging places and other businesses dependent upon winter sports in spite of a year-to-year increase in business. Comparisons with the 1946-47 and 1947-48 seasons illustrate the weakness of the most recent season. Ski lodges entertained almost 25 per cent fewer guests in 1949-1950 than in the 1946-47 season and about 20 per cent fewer guests than in 1947-48. Lodging place proprietors received about 30 per cent less money than they received in either of the two previous seasons.

December ski lodging business was extremely poor in 1949. Lodging place income was about 20 per cent below the relatively poor return in December 1948, and more than 50 per cent below December income in both 1946 and 1947. Reports of "no skiing" appeared during most of December 1948 and December 1949.

Loss of December business dimmed prospects for the season. Most of the December ski business originates in the week between Christmas and New Year's Day. This one week is also very important in the season's total business. Between the holidays schools are closed, and in addition year-end vacations have become very popular with businessmen in recent years.

The January 1950 lodging business improved slightly over the business done in January 1949. Income of vacation lodging places in January was about 14 per cent greater than that in January 1949 but was still more than 35 per cent below that for 1947 and 1948. Snow in the Jackson-Conway area helped its business this year.

January business is normally rather slow regardless of snow conditions. The cumulative influence of Christmas bills, heavier office work, and uncertain snow conditions may account for ski apathy in January.

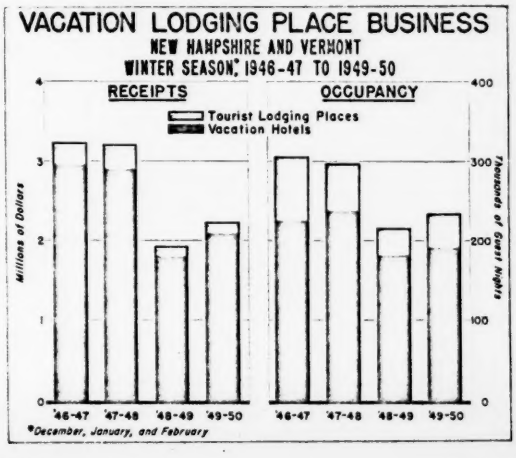
February business of vacation lodging places was fairly good despite a late start in many areas. Income in February this winter was more than 15 per cent better than it was a year ago but was about 10 per cent below the levels set in 1947 and 1948.

February is the normal peak of the winter season. Ski business reached its peak again in February during the 1949-50 season even though good ski conditions did not prevail throughout New England until after the middle of the month. Washington's Birthday, however, seems to have the same cut-off effect on ski vacations that Labor Day has on summer vacations. In spite of excellent late snow everywhere this season, business volume has fallen off according to pattern.

An increase in week-end business and a decline of midweek business have continued to characterize the industry again in the 1949-50 season. This is probably not a trend. Potential midweek guests may have hesitated to make long-range plans and business arrangements for ski vacations because of uncertain ski conditions. A return to normal weather and good early snow in future winters will probably re-establish the growth of midweek business.

The ski business has experienced a decline in income during the past two winters from its high levels in 1946-47 and 1947-48. Fortunately, the ski lodging business as a whole is in a position to withstand an occasional poor winter. Most ski lodging places are small owner-operated establishments dependent upon the ski business for only a relatively small portion of their annual business. Nevertheless, reduced winter income may prevent the continued improvement of property and accommodations that is necessary to maintain and increase the all-important summer business. The lodging business in ski areas during July and August is more than 10 times as large as the entire winter business. The lodging places which remain open in ski areas are able to fill 60 per cent of their available capacity during the summer, but during the peak winter of 1946-47 they could fill only about 21 per cent of this capacity.

There are a few areas in New England, however, where the lodging business has developed almost entirely around the ski business. These areas must find ways and means to attract and entertain a portion of the large summer trade.



[1] This summary is based on ski business in Vermont and New Hampshire. Measures of ski business in Maine, Massachusetts and Connecticut are not available.

Employment Dips in January

EMPLOYMENT AND INCOME in New England weakened seasonally from December to January. Communities and state authorities throughout the region, however, took more direct action to solve problems of plant space, financing, and taxation in order to improve prospects for industry in New England.

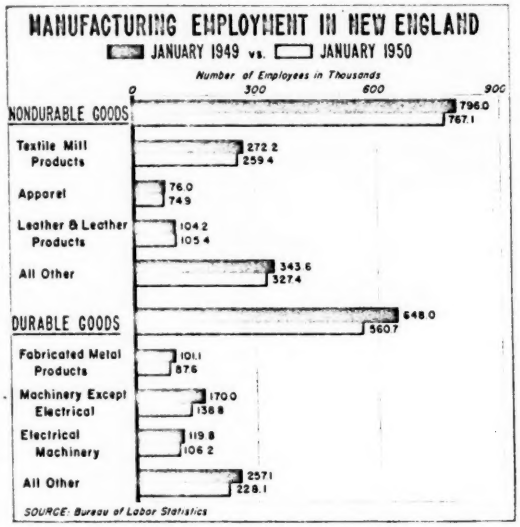
Nonagricultural employment in New England dipped about three per cent between December and January to 3,088,500, principally because nonmanufacturing employment — with job losses in trade, government, and contract construction — declined about five per cent from its level in December. The over-all declines in manufacturing employment were slight in both durable and nondurable lines. Shoe manufacturers expanded their working forces, but there were overbalancing declines in employment for the apparel, textile, and food industries.

Despite the slight setback during January 1950, nonagricultural employment in New England was only 4.3 per cent below that in January 1949. Nonmanufacturing employment was off 1.3 per cent, while manufacturing employment was eight per cent lower. Nondurable-goods industries had recovered sufficiently from the recession so that employment was only 3.6 per cent below that in January 1949; employment in durable-goods industries still lagged by 13.5 per cent.

In February, soft-goods industries in New England strengthened as shoe factories continued to expand production and apparel shops recalled employees after the between-seasons lull. Durable-goods prospects improved as the tide seemed to be turning in the machine-tool industry. The brass and copper and electrical-appliance industries also improved. The settlement of the coal dispute helped to avert closings of plants which depended on coal supplies. On the other hand, employment weakened because of a lag in spring orders for woolens and the completion of spring runs in some worsted mills.

Programs to improve economic prospects in various parts of New England have taken a variety of forms. In Maine, a Development Credit Corporation, pooling a small part of the resources of Maine banks and other financial institutions, has opened its doors to make equity capital available to promising enterprises not able to obtain funds through the usual channels. In Massachusetts a Special Commission on Taxation has inaugurated a study of the tax structure of the Commonwealth, with special emphasis on the burden of taxation in industry, and will present the most urgent problems to the 1950 Legislature. The State of Rhode Island moved to relieve one major complaint of its manufacturers by ordering an average cut of 24.5 per cent in compulsory Workmen's Compensation rates. Many community groups in New England are studying the industrial-foundation technique of assisting the growth of industrial firms.

Construction contracts awarded in New England during February amounted to $49,255,000, according to the F. W. Dodge Corporation. This figure was almost 85 per cent higher than that in February 1949. On a similar year-to-year basis, the value of residential awards was about 256 per cent higher. Nonresidential awards were up about 35 per cent, the first increase over year-ago levels since last October. The value of utility awards rose 71 per cent. Public works, with a drop of about 14 per cent, was the only major category to decline.



Orders received by Massachusetts manufacturers increased slightly more than seasonally in January. The Associated Industries of Massachusetts revised its Index of Orders in 1950 by broadening the coverage and reclassifying and reweighting the various industries. All industrial groups reported improvement over the level of orders in December except rubber and nonelectrical machinery. Only paper and printing and leather and shoes showed a greater volume of orders this January than in January 1949.

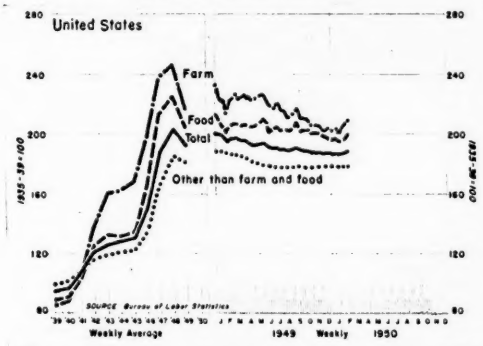
Both productive and finished inventories increased in New England during February, according to the report of the New England Purchasing Agents Association. The rise did not cause any misgivings, since companies generally produced only for orders. The changing level of inventories reflected greater availability of raw materials and better business. There was a moderate tendency toward more forward buying.

The volume of dollar sales at New England department stores in January and February was from two to three per cent lower than for the same period last year. Lower prices contributed to this decline. Strength in housefurnishings kept total sales from declining to a lower level.

Little change occurred in over-all consumers' prices in Massachusetts between mid-January and mid-February. The combined index declined slightly to a level 1.5 per cent below that of February 1949.

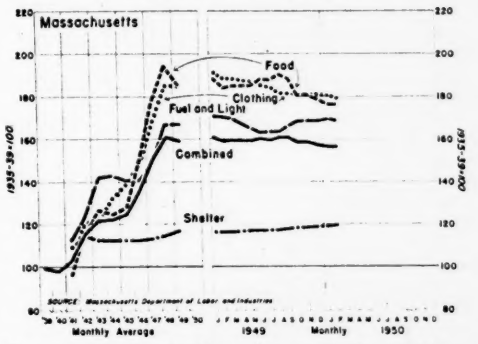
Business Conditions

WHOLESALE PRICES



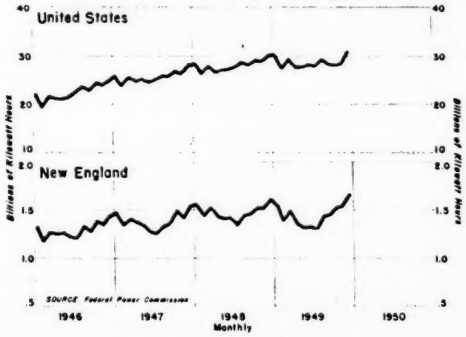
The weekly index of wholesale prices stood at 189.3 per cent of the 1935-39 average for the week ending Feb. 21. The combined index was 3.8 per cent below year-ago levels; farm prices were 6.7 per cent lower and food prices were off 3.0 per cent.

CONSUMERS' PRICES



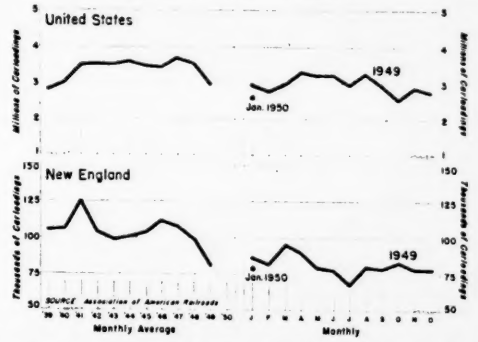
Consumers' prices in Massachusetts declined 0.06 per cent between Jan. and Feb. Food, which had declined 2.4 per cent in Dec. 1949 and 1.3 per cent in Jan. 1950, dipped only 0.2 per cent as average meat prices rose for the first time in the past six months.

ELECTRIC ENERGY PRODUCTION



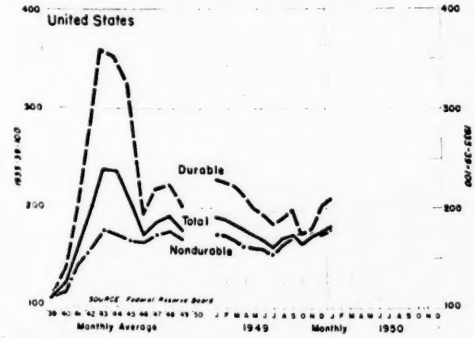
Electric energy production in N. E. rose steadily during the last five months of 1949. By Dec. it was 7.2 per cent higher than in November. It was 2.7 per cent higher than in December 1948, compared with an increase of 2.0 per cent in the nation.

FREIGHT CARLOADINGS



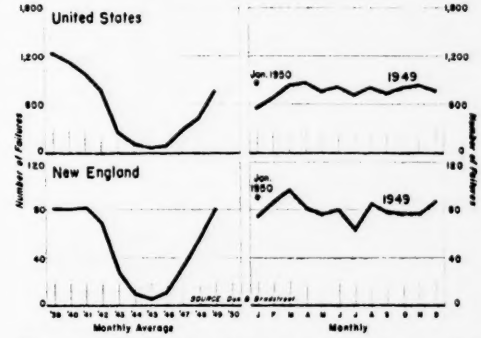
The number of freight cars loaded in New England during Jan. was 1.4 per cent higher than in Dec., but 7.9 per cent lower than in Jan. 1949. On a similar year-to-year basis, carloadings in January declined by 12.2 per cent in the nation.

INDUSTRIAL PRODUCTION



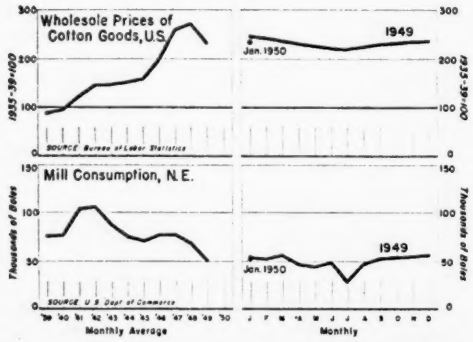
The index of industrial production rose 3 points in Jan. 1950 to 183 — the highest since March 1949. The six-point rise in durables from Dec. 1949 reflected expansion in automobile production; nondurables output maintained earlier high levels.

BUSINESS FAILURES



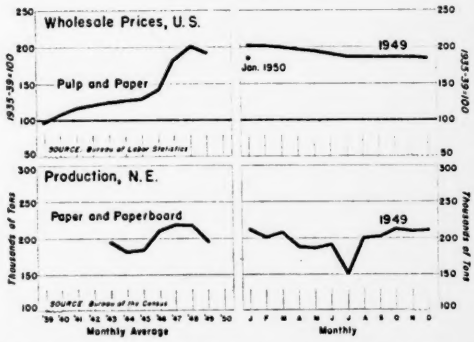
The number of business failures in the U. S. rose 12.2 per cent between Dec. 1949 and Jan. 1950, while N. E. failures rose 3.4 per cent. During Jan. there were 21.3 per cent more failures in N. E. and 52.7 per cent more in the U. S. in 1950 than in 1949.

COTTON



Mill consumption of raw cotton in N. E. dropped 5.6 per cent between Dec. and Jan., but was slightly above the level of Jan. 1949. Wholesale prices of cotton goods in the nation during Jan. 1950 were 4.4 per cent below their level in Jan. 1949.

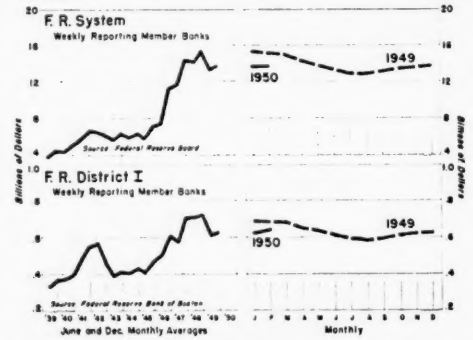
PULP AND PAPER



Wholesale prices of pulp and paper reached a peak during 1939-49 in Sept. 1948 at 203.5 per cent of the 1935-39 average. In Jan. 1950 the index of prices stood at 185.7, 0.1 per cent below that in Dec. 1949 and 7.3 per cent below the level of Jan. 1949.

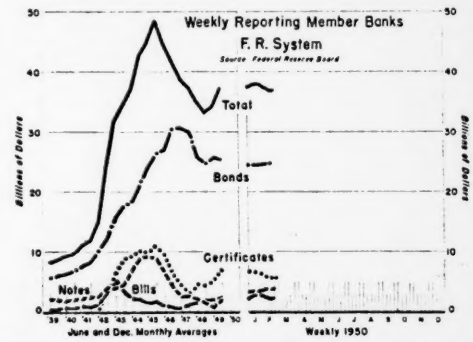
Banking and Finance

BUSINESS AND AGRICULTURAL LOANS



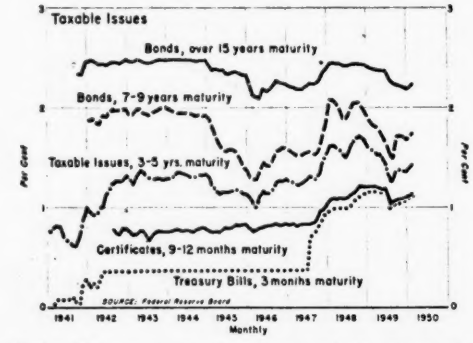
On March 1st commercial loans were up 3 per cent from the year end at N. E. banks and practically unchanged in the nation, reflecting a high level of business. In the comparable period in 1949 these loans at banks in N. E. and the nation declined 2.7 per cent.

BANK HOLDINGS OF U. S. SECURITIES



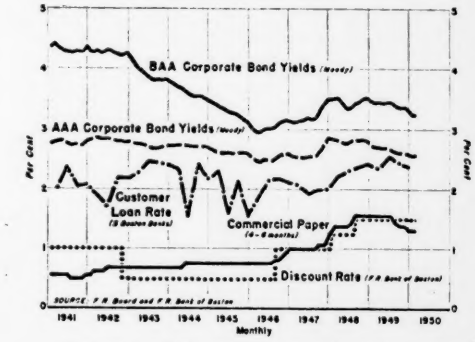
Since the year end N. E. banks like those in the nation made net sales of short-term U. S. securities and purchased bonds on scale-downs in prices. Buying has been cautious as potential buyers attempted to anticipate levels to which prices might decline.

YIELDS ON U. S. SECURITIES



Federal Reserve policy in recent weeks has been relatively neutral. Terms of new Treasury offerings created uncertainty — possibly suggesting higher short-term rates. Thus yields on Government securities have risen slightly since the year end . . .

MONEY RATES



. . . Reduced offerings, large liquid savings, strong bank demand, together with easy money market conditions are factors which have sustained the relatively low yields on high-grade corporate bonds. Slightly lower bank lending rates reflect competition for loans.